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July 17, 2007

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HAND DELIVERED

Mr. Charles L. A. Terreni

Chief Clerk/Administrator

Public Service Commission of South Carolina

101 Executive Center Drive, Suite 100

Columbia, SC 29210

RE: Docket No. 2007-193-C – Application of FTC Communications, Inc.,
d/b/a FTC Wireless for Designation as an Eligible Telecommunications
Carrier (ETC)

Dear Mr. Terreni:

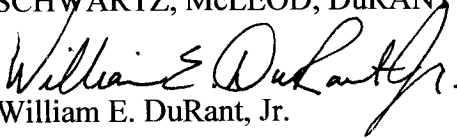
Please find enclosed for filing original and twenty-five (25) copies each of the Responsive Testimony of Ronald K. Nesmith and Confidential Exhibit to Responsive Testimony of Ronald K. Nesmith, together with original and ten copies of Motion for Protection of FTCC's Confidential Exhibit to the Responsive Testimony of Ronald K. Nesmith.

By copy of this letter, I am serving all parties of record with a copy of the enclosed documents.

With kindest regards, I am

Sincerely yours,

SCHWARTZ, McLEOD, DuRANT & JORDAN


William E. DuRant, Jr.

WEDjr/pt

Enclosures

CC: C. Lessie Hammonds, Esquire

Margaret M. Fox, Esquire

M. John Bowen, Jr., Esquire

Sue-Ann Gerald Shannon, Esquire

RECEIVED
JUL 17 2007
SOUTH CAROLINA
PUBLIC SERVICE COMMISSION

FILED
MAR 27 2007
CLERK OF COURT

RESPONSIVE TESTIMONY

OF

RONALD K. NESMITH

ON BEHALF OF

FTC COMMUNICATIONS, INC.

DOCKET NO. 2007-193-C

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Ronald K. Nesmith. My business address is Post Office Box 588, 1101 E. Main Street, Kingstree, South Carolina 29556.

Q. ARE YOU THE SAME RONALD K. NESMITH WHO PREFILED DIRECT TESTIMONY ON BEHALF OF FTC COMMUNICATIONS, INC. ("FTCC") IN THIS PROCEEDING ON JULY 2, 2007?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR RESPONSIVE TESTIMONY?

A. The purpose of my testimony is to respond to the "Initial Testimony" of Glenn H. Brown which was filed in this proceeding on July 2, 2007 on behalf of the South Carolina Telephone Coalition ("SCTC").

Q. HAVE YOU READ AND REVIEWED THE "INITIAL TESTIMONY" OF GLENN H. BROWN ON BEHALF OF THE SCTC?

A. Yes.

Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF MR. BROWN'S OBJECTIONS TO THE ETC APPLICATION OF FTCC AND THEN RESPOND TO EACH OF HIS OBJECTIONS.

1 A. Mr. Brown offers no objections to FTCC's application for ETC status. Instead, Mr.
2 Brown provides the Commission with his view on the frailties and flaws in the current
3 rules pursuant to which the Universal Service program is administered.

4 **Q. ALTHOUGH MR. BROWN DOES NOT PROVIDE ANY SPECIFIC**
5 **OBJECTIONS TO THE FTCC APPLICATION FOR ETC STATUS, HE DOES**
6 **SUGGEST "THE STANDARDS THAT THE COMMISSION SHOULD USE IN**
7 **EVALUATING THE PUBLIC INTEREST ASPECTS OF THE APPLICATIONS."**
8 **(BROWN, P. 3.) DO YOU OBJECT TO THE STANDARDS PROPOSED BY MR.**
9 **BROWN?**

10
11 A. The standards articulated by Mr. Brown for evaluation of FTCC's ETC application are
12 exactly the same standards that FTCC followed and met in the development of its
13 application. As demonstrated in our application, FTCC meets each of the elements
14 required by the FCC rules as described by Mr. Brown (at page 3 of his testimony) and set
15 forth by the FCC at 47 CFR Sec. 54.201. In addition to the required fulfillment of the
16 universal service elements set forth in the FCC rules, Mr. Brown submits (at page 16 of
17 his testimony) that the FTCC application should be evaluated in accordance with the
18 guidelines adopted by the FCC in its March 17, 2005 Report and Order, *In the Matter of*
19 *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, FCC 05-46 (the
20 "March 17, 2005 Order"). These are the very guidelines followed by FTCC in its ETC
21 application. Moreover, the FTCC application reflects in detail the factual basis upon
22 which FTCC will meet each of these guidelines.

23 **Q. DOES MR. BROWN CLAIM THAT FTCC DOES NOT MEET ANY OF THE**
24 **GUIDELINES WHICH HE HIMSELF SUGGESTS ARE THE APPROPRIATE**
25 **"CORNERSTONE OF ANY EVALUATION"?**
26

1 A. No, he does not. In fact, Mr. Brown states, "I will withhold my opinion on the public
2 interest aspects of FTC's (*sic*) application until after I have had a chance to review its
3 testimony and supporting data, and will provide the Commission with my conclusions
4 from that review in my reply testimony which is due to be filed on July 16 (*sic*), 2007."
5 (Brown Initial Testimony, page 17.)

6 **Q. DO YOU HAVE ANY COMMENT ON MR. BROWN'S FAILURE TO TESTIFY**
7 **IN HIS INITIAL TESTIMONY WITH RESPECT TO THE COMPLIANCE OF**
8 **THE FTCC APPLICATION TO THE VERY GUIDELINES THAT MR. BROWN**
9 **SUGGESTS THAT THE COMMISSION FOLLOW?**

10
11 A. Yes. In brief, FTCC does not wish to utilize its limited resources to engage in a
12 procedural battle with the SCTC. At this point, the Commission is very familiar with Mr.
13 Brown and the perspective he offers with respect to ETC applications before the
14 Commission. Suffice it to say that after the SCTC sought a delay in the date on which
15 the initial testimony in this proceeding was due, FTCC expected, in accordance with the
16 procedure set forth by the Commission, that the SCTC would use the additional time it
17 was afforded to file initial testimony that provided a substantive analysis of the FTCC
18 application. The FTCC application sets forth in detail how FTCC proposes to meet each
19 of the requirements and guidelines established by the FCC. Instead, the SCTC filed
20 initial testimony that essentially replicates the initial testimony it filed on June 12, 2007
21 in Docket No. 2003-227-C (the Hargray ETC application). As a result of this procedural
22 ploy and the failure of the SCTC to address the specifics of the FTCC ETC application,
23 the SCTC has foreclosed FTCC from the opportunity of utilizing this Responsive

1 Testimony to address any specific issues raised by the SCTC in opposition to the FTCC
2 ETC application. Mr. Brown and the SCTC could have – and should have – used the
3 initial testimony to address any concerns it may have with any specific aspect of the
4 FTCC application which specifically addresses each of the guidelines which Mr. Brown
5 has asserted to be the “cornerstone” of the evaluation of the FTCC application. The time
6 to address the specifics of the application was in the initial testimony, and the SCTC even
7 asked for additional time to file that testimony. There was no need for the SCTC to wait
8 to first review the FTCC testimony before addressing any issue with the FTCC
9 application. FTCC is hopeful that the Commission will appreciate the impact of this
10 tactic on the ability of FTCC to confront and address any objections that the SCTC may
11 raise to its application.

12 **Q. RECOGNIZING THAT MR. BROWN HAS NOT OFFERED INITIAL**
13 **TESTIMONY INDICATING ANY SPECIFIC OBJECTIONS TO THE FTCC ETC**
14 **APPLICATION, DO YOU HAVE ANY BASIS UPON WHICH YOU MAY**
15 **ANTICIPATE AND COMMENT ON BELATED CRITICISMS THAT MR.**
16 **BROWN MAY LATER FILE IN THIS DOCKET?**

17 A. Yes. Just as Mr. Brown’s Initial Testimony is similar to the testimony he offered in the
18 Hargray proceeding, I anticipate that his responsive testimony in this proceeding will also
19 be similar to that which he provided on behalf of the SCTC in the Hargray matter. In that
20 regard, I have reviewed the “Reply Testimony of Glenn H. Brown” filed in Docket No.
21 2003-227-C on June 22, 2007. As the Commission is aware, Mr. Brown was hard
22 pressed to find any fault in the Hargray application with regard to Hargray meeting the
23 guiding principles set forth for ETCs by the FCC in its March 17, 2005 Order:
24

1 (1) a commitment to provide service throughout the ETC designated area
2 to all customers making a reasonable request;

3
4 (2) demonstration of the ability to remain functional in an emergency;

5
6 (3) demonstration that it will satisfy the applicable consumer protection
7 and service quality standards;

8
9 (4) show that it offers local usage plans comparable to the one offered by
10 the incumbent LEC; and

11
12 (5) certification that it may be required to provide equal access to long
13 distance carriers in the event that no other ETC is providing equal access
14 within the service area.
15

16 Unable to challenge Hargray with respect to these guidelines, Mr. Brown resorts to a
17 criticism of granular aspects of Hargray's five-year plan. I suspect that Mr. Brown will
18 take a similar approach against the FTCC ETC application when he tries to persuade the
19 Commission not to allow any USF dollars to come into South Carolina for carriers other
20 than incumbent local exchange carriers. Any and all criticisms Mr. Brown may assert
21 about our five-year plan will not undo or stand against the facts:

22 1. The FTCC application is consistent with the requirements and guidelines that
23 the FCC has established; and

24 2. FTCC will not receive a single USF dollar without Commission approval.

25 Without his intending to do so, Mr. Brown has demonstrated the wisdom of the
26 Commission's proposed ETC designation regulations which he criticizes (Brown Reply
27 Testimony, Docket No. 2003-227-C, pp. 7-9 and 25-27). Mr. Brown's critique of the
28 Hargray 5-year plan (and I expect that his similar critique of FTCC's plan) focuses on

1 unknown elements such as his criticism about the absence of precise start and finish dates
2 for the deployment of new cell sites (Brown Reply Testimony, Docket No. 2003-227-C,
3 p. 6). He also criticizes Hargray for only providing “an approximation” of additional
4 voice coverage that would result from the expenditure of USF. (Brown Reply
5 Testimony, Docket No. 2003-227-C, p. 5). The fact is that these criticisms do not detract
6 from the public interest value of the designation of an ETC; these criticisms do
7 demonstrate the flaws of basing a public interest determination on an evaluation of a five
8 year plan in the midst of the dynamic change that is occurring not only in the
9 administration of USF, but in the entire telecommunications industry. Predicting exact
10 start and finish dates of new cell sites is of little value in the changing environment.
11 FTCC, consistent with the Commission’s proposed regulations, is committed to reporting
12 to the Commission on a continuing basis; the Commission will know where every USF
13 dollar goes and we will adjust our plan over time as the universal service needs of our
14 community change. In planning the additional deployment of network, we utilize our
15 best efforts to provide for network deployment that will achieve universal service goals.
16 We commit to the provision of reliable voice-grade universal service throughout the area
17 in which we are designated an ETC, and will adjust our network plans as needed.
18 Because we anticipated the persistence of the SCTC and Mr. Brown in insisting on a five-
19 year plan, we modified our original two-year plan in order to offer a five-year view. The
20 nature of predicting universal service operating needs with specificity during the five-
21 year period, however, requires a crystal ball that does not exist. Instead of focusing on

1 the impossibility of accurate granularity in a five-year plan, as Mr. Brown and the SCTC
2 have approached the issue of public interest evaluation of an ETC application, FTCC
3 believes that the public is better served by the Commission's realistic proposed
4 regulations. Our five-year plan includes specifics for the first two years and demonstrates
5 the public interest benefits that will result from the grant of our ETC application. Twelve
6 communities and approximately 3,950 people will have new service or enhanced service
7 after the first year of the plan. Subsequent to our designation as an ETC, the Commission
8 will have both the tools and the ability to ensure that FTCC receives and expends USF
9 dollars only in a manner that the Commission deems to be in the public interest. Mr.
10 Brown's insistence on evaluating the public interest in terms of his view of the detail of a
11 five-year plan is unwarranted as is his criticism of the Commission's proposed
12 regulations. Mr. Brown apparently confuses the legitimate and necessary lack of detail in
13 a five-year plan with a lack of commitment to provide universal service throughout the
14 area in which a carrier is designated an ETC. Even Mr. Brown, however, ultimately
15 recognizes the impracticality of projecting "network improvement projects for more than
16 two year (*sic*) in the future." (Brown Reply Testimony, Docket No. 2003-227-C, p. 18-
17 19).

18 **Q. IS A NETWORK IMPROVEMENT PLAN AN IMPORTANT PART OF THE**
19 **PUBLIC INTEREST ANALYSIS?**

20
21 A. Yes. We wholeheartedly agree that any ETC applicant must present network build out
22 plans with a commitment to serve the entire rural service area in which they seek

1 designation and be subject to a review process on the progress of its commitments in the
2 annual recertification review. However, much of the argument presented by Mr. Brown
3 in response to this question quickly resorts to the difference in funding mechanisms for
4 the CETC as compared to the incumbent ETC. FTCC does generally agree with Mr.
5 Brown that the ETC applicant must make a commitment to serve the entire study area
6 through its own facilities. However, where we seem to differ is in the details of the five-
7 year plan. As previously commented, the design of FTCC's network is dynamic in nature
8 and it is not possible to accurately nail down all exact tower sites and network
9 enhancements five years into the future. As committed in its application, FTCC will
10 provide concise detail network design for the next year and a more generalized remaining
11 four years. Each year FTCC will report on its progress toward completion of its previous
12 year's commitment and how it used USF funds toward its intended purposes. FTCC will
13 continue to present a concise detail design for the next year, while updating the remaining
14 portion of its overall five year build out design. Where we also differ from the SCTC
15 position on the public interest analysis is in the methods of a cost-benefit analysis.
16 Although FTCC may ably justify use of USF funding throughout its five-year plan based
17 solely on operational expenses incurred in only the "unserved" portions of the study area
18 that should not become the total basis of the cost-benefit analysis used in the public
19 interest test. The entire study area FTCC serves is justifiably deemed a high-cost study
20 area by USAC and the FCC. It has not been disaggregated for the CETC applicant since
21 it is applying for the same high-cost study area. FTCC is unique in that it is guided by a

1 cooperative minded board that has the same interests for its wireless customers that its
2 parent affiliate cooperative has had for its wireline customers in serving areas of this state
3 that no other entity would serve. Much of this network would be considered far too
4 high-cost for any other wireless carrier and FTCC desperately needs USF support to
5 completely build out its service area to provide all of its customers in the entire study area
6 services comparable to those available in urbanized areas and to enhance service
7 capabilities in areas where service may be marginally established. By SCTC standards,
8 network enhancements cannot be used in the cost-benefit analysis, nor can any capital
9 investments where it may overlap existing "served" areas. This is not the universal
10 service goal and the public interest analysis should not be relegated to a pure dollars and
11 cents comparison. There are many other subjective arguments that should be considered
12 as raised in other proceedings before this Commission such as - service availability in
13 emergency situations, economic development incentives and requirements, carrier choice,
14 etc. In a recent U.S. Senate Committee on Commerce hearing on the recent Joint Board
15 recommendations, Senator Snowe (R-ME) challenged presenter FCC Commissioner
16 Deborah Tate to consider "real-life" situations in which wireless had made the difference
17 between life and death in Maine and argued that the proposed cap on CETC universal
18 service funding would have a devastating impact on telecommunications services in
19 Maine. She especially highlighted the adverse effect on the ability of law enforcement to
20 provide emergency services. Snowe reported that half of all E-911 calls in Maine
21 originate from wireless phones. Snowe went on to say "As a result of this cap, what is

1 going to happen is that there will be fewer towers built, so that means that the rural parts
2 of my state as well as across America are going to be denied the very technology that can
3 make the difference between life and death". (*RICA Report*, Issue No. 82, July 3, 2007)

4 **Q. IN HIS INITIAL TESTIMONY IN THIS PROCEEDING, MR. BROWN SPENDS**
5 **THE BULK OF HIS TESTIMONY TALKING ABOUT THE FLAWS IN THE**
6 **CURRENT USF RULES AND THE ADMINISTRATION OF THE USF**
7 **INCLUDING HIS CONCERNS WITH THE "IDENTICAL SUPPORT RULE"**
8 **AND THE POTENTIAL DESIGNATION OF MULTIPLE WIRELESS ETCS IN**
9 **HIGH COST RURAL AREAS. HOW DO THESE CONCERNS IMPACT THIS**
10 **PROCEEDING?**

11
12 A. FTCC takes issue with the position that South Carolina must bear the brunt of preserving
13 the federal program for two reasons. First, South Carolina wireless customers pay into
14 the fund and should expect to receive in return benefits currently being paid to CETCs in
15 45 other states. Secondly, the viability of the fund is a federal concern which cannot be
16 effectively addressed at the state level. South Carolina, by foregoing benefits available to
17 qualified wireless CETCs, would not be making a meaningful contribution to the
18 preservation of the fund because, in FTCC's case, we are only talking about 1/12 of one
19 percent of the fund.

20 The reality is that the viability concern of Mr. Brown can only be addressed at the federal
21 level. As noted by Mr. Brown on page 6 of his prefiled testimony in this proceeding,
22 action to address this concern is currently underway with the May 1, 2007 Federal-State
23 Joint Board on Universal Service Recommended Decision.

24 In its opposition to competitive ETC applications in other proceedings, the SCTC and its
25 witness Mr. Brown have taken a similar approach, suggesting that the problems with the

1 Universal Service Fund administration and rules provide a basis for this Commission to
2 decide that competitive carriers in South Carolina should not receive funding. I have
3 reviewed the testimony filed in the proceeding involving Hargray's application in Docket
4 Number 2003-227-C and agree with aspects of the response of Hargray's expert witness,
5 Don J. Wood, who testified:

6 " In his testimony, Mr. Brown suggests that designating CETCs in
7 rural areas will threaten the viability of the federal fund. Mr. Brown is
8 taking a purely short run view that distorts his analysis. By limiting entry
9 by carriers as an ETC, the size of the fund will be kept small over the short
10 run but will be larger than necessary over the long run. As the FCC has
11 consistently concluded, the entry of a competitive ETC can be expected to
12 provide incentives for the ILECs to improve both efficiency and service
13 quality.
14

15 It is important to remember that federal support provided to
16 CETCs can only be used for the provisioning, maintenance, and upgrading
17 of network facilities within that CETC's ETC service area. A dollar of
18 federal support to a CETC in South Carolina represents (at least) a dollar
19 that will be invested in the state's rural telecommunications infrastructure
20 that would not otherwise have been invested there. Growth in the amount
21 of support that is provided to wireless CETCs represents the additional
22 investments needed to make high-quality, reliable wireless service
23 available in rural areas." (Responsive Testimony of Don J. Wood, Docket
24 No. 2003-227-C, pp. 15-16).
25

26 Mr. Brown has raised the issue of the "identical support or portability rule" in many of
27 the ETC proceedings in South Carolina to which we have testified this is not the
28 appropriate forum, whether we agree or disagree. Presently, this is the acceptable method
29 of awarding federal funds to certified CETCs in fifty states and although this method has
30 been raised as a consideration for change, it has not been acted upon. Although FTCC
31 may concur in the need for FCC consideration of a different means of calculating high

1 cost support for CETCs, this is the prescribed method currently and we have to operate
2 within the rules. FTCC has made the commitment to work within the framework of the
3 federal and state rules, whatever they may be in the future. However, the “identical
4 support” label is somewhat a misnomer since the only similarity of the support amount
5 awarded to the CETC is the amount of per line support as calculated by USAC.
6 Incumbent ETCs are awarded USF based upon total calculated high cost support
7 (expressed on a per line basis) and receive the total allowable support regardless of
8 whether they increase or decrease line counts. On the otherhand, a CETC is awarded
9 USF funding for only the lines it has in service and its funding will only increase if it
10 increases market share (number of lines) and the funding will decline if it loses market
11 share. In FTCC’s case, it has made a commitment to completely cover the rural study
12 area with its own facilities within the five year build out plan. While FTCC would
13 qualify for funding from the day of certification, it would only qualify on the number of
14 customers it has at that time. To put this into perspective, while the incumbent ETC
15 continues to receive funding on over 56,000 access lines, FTCC will receive funding on
16 11,000 access lines (<20%) although it will be providing wireless infrastructure over the
17 same 2,600 square miles of rural geography. This is not identical support. Additionally,
18 the SCTC witness claims that FTCC will have these funds available from the minute they
19 are certified and will continue to receive this funding even if it never makes any
20 investments in high-cost rural telecommunications infrastructure, as compared to the
21 incumbent ETC which receives its funding from investments made nearly two years in

1 arrears. The initial funding on existing customers of the wireless carrier is based on
2 federal rules which we do not believe to be appropriate for this proceeding; however, the
3 continuation of this funding is contingent upon this Commission's review of the wireless
4 carrier's build out plans and investments in high cost infrastructure made the prior year
5 before recertification. If the wireless carrier fails to perform, it can lose all funding.
6 Although the incumbent ETC may have a time delay in recovering its plant investments,
7 it will recover USF funding on the total, even though the incumbent ETC may be losing
8 access lines. Likewise, there are no rules on how or where the incumbent ETC must
9 make its investments in plant facilities as long as it is within its own high-cost study area.
10 FTCC could spend \$20 million in its five-year build out plan, but will receive funding on
11 only the customers it serves. If it loses customers, then it will lose funding. If it fails to
12 perform in its build out plans, it can lose all funding. Only if it is able to attract
13 additional customers will its funding increase to pay for its commitment to entirely serve
14 the rural service area through its own facilities. As far as the argument the SCTC witness
15 makes in regards to "equal-per-line" rule where a family of four would create four "lines
16 worth" of support for wireless, FTCC accepts this assessment. However, unlike the
17 wireline customer with four handsets who can use the same local loop (one transmission
18 path) for voice traffic, FTCC wireless customers require a single wireless transmission
19 path for each phone back to its network, each incurring its own incremental network
20 costs. To make this an "apples to apples" comparison, the incumbent ETC customer
21 would have to have four separate lines to the same residence, at which time the ILEC

1 would receive funding for four lines under today's rules. Multiple residential lines have
2 been a trend in the past – separate teenager lines, separate dial up Internet lines
3 (qualifying for USF), fax lines, home office lines, etc. However, if the incumbent ETCs
4 experience a loss of these lines due to wireless and VoIP substitution they will not lose
5 USF support, whereas FTCC in the same example would.

6
7 **Q. IN RESPONDING TO THE PUBLIC POLICY CONCERNS RAISED BY MR.**
8 **BROWN, YOU CITED THE RESPONSIVE TESTIMONY OF DON WOOD IN**
9 **THE HARGRAY PROCEEDING. DOES FTCC AND ITS PARENT THE**
10 **FARMERS TELEPHONE COOPERATIVE FULLY ENDORSE THE POSITION**
11 **OF MR. WOOD?**

12
13 A. Not at all – while Brown apparently never met an ETC application he liked, Wood does
14 not appear to understand the basics of how the USF program has worked well in rural
15 areas throughout the nation to ensure the provision of universal service at reasonable
16 rates in areas throughout the nation including the areas served by the Farmers Telephone
17 Cooperative and all of the SCTC members. The testimonies of both Mr. Brown and Mr.
18 Wood reflect a battle between rural incumbent wireline carriers and wireless carriers. We
19 believe that is the wrong battle. Instead of two elements of the industry fighting each
20 other for more of the “USF pie,” the Farmers Telephone Cooperative and FTCC believe
21 that the national efforts should be focused on ensuring that national USF policies promote
22 the interests of consumers residing in high-cost-to-serve areas. We think it is foolish for
23 carriers to take the position that universal service objectives are better served by one
24 technology or another when consumers clearly want and need both universal wireline

1 connectivity and mobility.

2 FTCC appreciates the concern expressed by Mr. Brown regarding the viability of the
3 USF. Its parent affiliate, Farmers Telephone Cooperative, Inc. relies on universal service
4 funding to provide wireline service in one of the highest cost areas in South Carolina and
5 therefore shares the concern that support to rural ILECs be preserved. The forum to
6 achieve that goal, however, is not this proceeding. The designation of FTCC as an ETC
7 will not jeopardize the USF. As I indicated in my initial testimony, FTCC's potential
8 USF represents 1/12 of one percent of the Total High Cost Annualized Projected Support.
9 By designating FTCC as an ETC, South Carolina will not harm the stability of the USF,
10 an issue that is actively being addressed by the Federal-State Joint Board. The
11 designation of FTCC as an ETC will ensure that the citizens of South Carolina finally
12 receive some of the benefits of the funding of competitive carriers throughout 45 other
13 states, funding that the citizens of South Carolina contribute to. The FTCC application
14 for ETC status is consistent with the requirements and guidelines of the FCC and the
15 proposed regulations of the Commission. FTCC respectfully asks that the Commission
16 afford FTCC the opportunity to put some of the competitive nationwide USF funding to
17 work in South Carolina.

18 **Q. IN HIS INITIAL TESTIMONY IN THIS PROCEEDING, MR. BROWN MAKES**
19 **THE POINT THAT MULTIPLE WIRELESS ETCS IN HIGH-COST RURAL**
20 **STUDY AREAS ARE AN ISSUE IN THIS PROCEEDING AS THERE IS**
21 **ANOTHER WIRELESS CARRIER REQUESTING ETC DESIGNATION FOR**
22 **THE SAME RURAL STUDY AREA AS FTCC. DO YOU HAVE A RESPONSE**
23 **TO THIS?**
24

1 A. Whether or not there are multiple wireless ETCs in a high-cost study area is definitely of
2 concern, and perfectly within the jurisdiction of this Commission. However, it is not an
3 issue in this proceeding unless there is already one or more wireless ETCs designated for
4 the study area for which FTCC has applied. All ETC applications must be evaluated by
5 this Commission on a case by case basis, and must pass all federal requirements as well
6 as state requirements, including the public interest analysis performed by this
7 Commission, prior to certification. As of now, no CETC has been certified for any study
8 area in South Carolina, let alone multiples. Multiple wireless ETCs will not
9 exponentially impact the fund growth since these carriers will be competing for the same
10 pool of customers and for one to increase its count of qualifying lines (customers), the
11 other(s) must lose customers (and funding). The argument that high-quality service could
12 not be provided “*throughout* the ETC service area” and “they (customers) would not
13 experience the ubiquitous wireless coverage that they need and deserve, even while
14 funding to multiple wireless CETCs is growing the fund to unsustainable levels” (Initial
15 Testimony of Glenn H. Brown, Docket 2007-193-C, p. 13) is unfounded if this
16 Commission adopts the proposed requirement that the ETC applicant completely build
17 out its service area, which FTCC has endorsed. Failure to perform results in a failure to
18 receive recertification for funding. To support Brown’s argument is to be of the opinion
19 that this Commission will blindly rubber stamp annual recertification of wireless carriers
20 instead of discharging its duties to ensure federal funding is used as intended to build
21 and maintain telecommunications in high-cost study areas. The funding is transitional to

1 the carrier who is more successful. It is through these same competitive strengths that the
2 consumers in the study area will benefit to enjoy affordable and dependable
3 telecommunications services equal or greater than anywhere. This is what was
4 envisioned in the 1996 Act when it allowed for multiple designations.

5 **Q. ARE THERE ANY OTHER AREAS OF CONCERN THAT YOU SUSPECT**
6 **WILL SURFACE AS BELATED CRITICISMS THAT MR. BROWN MAY**
7 **LATER FILE IN THIS DOCKET?**

8
9 A. Yes. As evidenced in other proceedings before this Commission, and in particular Mr.
10 Brown's Reply Testimony in Docket 2007-151-C and his 7/11/07 oral summation of
11 comments presented from the stand in that proceeding, FTCC fully expects to be
12 challenged on the issue of offering "a local usage plan comparable to the one offered by
13 the ILEC in the service area for which it seeks designation". Although it has been
14 accepted on the federal level, as well as in most of the other states, that
15 telecommunications platforms employed by wireline and wireless entities are different
16 and that many factors must be weighed in the comparability test – comparable does not
17 mean identical. What Mr. Brown would have everyone believe is that FTCC must offer
18 an unlimited local service plan equivalent to the basis local service of \$14.35 plus a \$6.50
19 federal subscriber line charge as offered by its parent affiliate, FTC. FTCC has
20 committed to developing a new service offering that includes *unlimited* local calling
21 within the local calling areas of the ILEC, should this Commission require it. In addition,
22 we believe that our existing FTCC plans already provide significant inherent advantages
23 that make the existing plans comparable to, or better than, the ILEC local calling plans.

1 For example, regardless of which existing FTCC rate plan a customer chooses, every
2 FTCC customer already has *unlimited* nationwide calling, without additional charges, to
3 other FTCC wireless customers (and to all other customers within the Cingular (AT&T)
4 partner network), regardless of the time of day *or* the location. Every FTCC customer
5 already has *virtually unlimited* nationwide calling (5,000 minutes/month), without
6 additional charges, to anyone between the hours of 9:00 p.m. and 7:00 a.m. *every* day and
7 *all day* on weekends, regardless of where the called customer is located within the 50
8 States and regardless of whether the called customer is a wireless customer or a wireline
9 customer. Additionally, all FTCC customers receive voice mail and calling features that
10 are not included in ILEC basic plans. All ILECs charge extra for these services and
11 features that are included in all of our existing FTCC rate plans. FTCC customers, while
12 they are subject to a block of minutes included with their wireless plans for calls made
13 off-network during peak hours, may use these minutes to call nationwide without
14 incurring additional long distance charges that will apply in the case of the ILEC
15 customer with a basic service offering.

16 At the risk of resorting to another cliché, comparing ILEC rate plans to existing wireless
17 rate plans is not an “apples-to-apples” comparison. In order to make a real comparison,
18 you need to look beyond the basic connectivity rate of the two carriers or you will find
19 yourself comparing apples-to-oranges. For example, many, if not all, of the rural ILECs
20 in South Carolina offer various forms of extended area calling plans enabling their
21 customers to purchase blocks of minutes, or unlimited minutes, toward their intralata

1 calling that would normally be billed as additional long distance charges. If you ask the
2 customer, you would find that the customer's perception of what constitutes a basic local
3 universal service would be a service that includes calling to the areas included in these
4 extended area plans. Some, as is the case with FTCC's parent, FTC, also offer other
5 forms of plans that include statewide or nationwide calling. These plans, dependent upon
6 their features, can range from a few dollars a month to upwards of \$40.00 per month, *in*
7 *addition* to basic local connecting service rate. The ILECs carefully develop these plans
8 according to perceived customer needs and are successful in achieving high penetration
9 rates. These plans are the plans that customers view as basic; they want more than
10 dialtone and the ability to call just a few people without additional charges.

11 Consideration of the real public interest should mean consideration of what the public is
12 really interested in. The customer utilization of these extended area plans, therefore,
13 should be considered in making any sort of comparability test. Mr. Brown apparently
14 would disregard the public interest in these plans and try to convince you that
15 comparability means a rigid comparison of the barebones basic service rate without
16 regard to what the customer really wants.

17 Since we must compare FTCC's rate plans with the plans available in the ILEC service
18 area in which FTCC seeks ETC designation, I took a broad look at current FTC customer
19 billing and what the average FTC residential customer pays per month in local service,
20 calling features, calling plans, and long distance billed by the company, exclusive of the
21 federal subscriber line charge or any of the other federal or state mandated surcharges.

1 Since FTC does not perform billing for any interexchange long distance carrier other than
2 its affiliate, FLD, no intrastate or interstate long distance over these other carrier
3 networks is included in the average. Just this figure alone (which is simultaneously being
4 submitted under seal for proprietary reasons and which is claimed as confidential by
5 FTCC), coupled with the federal subscriber line charge, places the “comparable” local
6 service offering by the ILEC at well over \$40 per month.

7 None of these analyses take into consideration the opportunities that all of the rural
8 ILECs have had in utilizing both the Interim LEC Fund (ILF) and the S.C. USF to reduce
9 their access charge and interexchange rate structures without increasing their local rates.
10 It seems unfair that Mr. Brown and the SCTC persist in disparaging the value of the rate
11 plans of FTCC and other wireless carriers which neither receive nor seek access to the
12 State USF that subsidizes the low local wireline rates. There is value in both the rate
13 plans offered by the ILECs and the wireless provider and “comparability” should not
14 mean that the plans or services need be provided at the same rate.

15 **Q. DOES THIS CONCLUDE YOUR RESPONSIVE TESTIMONY?**

16 **A. Yes.**

**BEFORE THE
PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

IN RE: Application of FTC Communications, Inc.)
 DBA FTC Wireless for Designation as an) UTILITIES DEPARTMENT
 Eligible Telecommunications Carrier)
 Pursuant to Section 214 (e)(2) of the) DOCKET NO. 2007-193-C
 Communications Act Of 1934)

AFFIDAVIT OF RONALD K. NESMITH

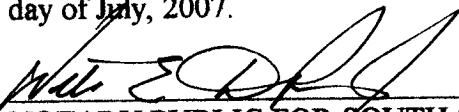
I, Ronald K. Nesmith, under penalty of perjury, affirm and state this 17th day of July, 2007:

1. My name is Ronald K. Nesmith. I am External Affairs and Chief Regulatory Officer of FTC Communications, Inc. My office is located at 1101 E. Main Street, Kingstree, South Carolina 29556.
2. Attached hereto and made a part hereof for all purposes is my Responsive Testimony on behalf of FTC Communications, Inc., having been prepared in written form for introduction into evidence in the above-captioned docket.
3. I have knowledge of the matters set forth therein. I hereby affirm that my answers contained in the attached testimony to the questions propounded, including any attachment thereto, are true and accurate to the best of my knowledge, information and belief.



Ronald K. Nesmith

SWORN to before me this 17th
day of July, 2007.

 (L.S.)
NOTARY PUBLIC FOR SOUTH CAROLINA
My Commission Expires: 8/5/15

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CERTIFICATE OF SERVICE


This is to certify that I, Patricia J. Thompson, an employee with Schwartz, McLeod, DuRant & Jordan, have this date served one (1) copy of the attached Responsive Testimony of Ronald K. Nesmith in the above-referenced matter to the persons named below by causing said copies to be deposited with the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below.

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July 17, 2007
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